

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANAGU 00459 051954Z

63

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 COME-00 AGR-20 CIAE-00 INR-10

NSAE-00 RSC-01 L-03 PA-04 PRS-01 USIA-15 AID-20 OMB-01

TRSE-00 SPC-03 OPIC-12 CIEP-02 DRC-01 /121 W

----- 070359

R 051900Z FEB 74

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 3411

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE MANAGUA 0459

SAN SALVADOR ALSO FOR AGATT

E. O. 11652: N/A

TAGS: EAID, EFIN, NU

SUBJECT: EXPORT TAX REDUCED ON COFFEE

REF: A-03 DATED 1/8/74

1. ON JANUARY 21, 1974, THE NATIONAL GOVERNING COUNCIL SIGNED A DECREE WHICH MODIFIED THE COLLECTION OF THE EXPORT TAX ON COFFEE AS FOLLOWS: QUOTE FOR THE COLLECTION OF THE 10 PERCENT EXPORT TAX ON COFFEE FROM THE 1973/74 CROP FROM NOW ON THE AVERAGE STANDARD PRICE WILL BE CONSIDERED TO BE U.S. \$40 PER CWT, NET FOB AND THE TAX WILL BE PAID ON THAT BASIS. END QUOTE.

2. AS EMBASSY REPORTED IN REPAIR, COFFEE GROWERS HAD PETIONED "EQUAL TREATMENT" WITH OTHER COMMODITY EXPORTS IN LATE DECEMBER. BY TAXING COFFEE AT AN IMPUTED VALUE OF U.S. \$40 PER CWT WHEN THE ACTUAL PRICE IS U.S. \$65 PLUS, THE GOVERNMENT DROPS THE EFFECTIVE TAX RATE FROM 10 TO 6 PERCENT. THIS BRINGS COFFEE ROUGHLY IN LINE WITH

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANAGU 00459 051954Z

COTTON AND MEAT EXPORTS FOR WHICH IMPUTED PRICES LAST

YEAR WERE ESTABLISHED AT U.S. \$.30 AND .68 CENTS PER POUND RESPECTIVELY FOR ADMINISTRATIVE CONVENIENCE. AFTER THE IMPUTED PRICES WERE ESTABLISHED, ACTUAL PRICES ROSE SHARPLY FOR THOSE COMMODITIES AND IT APPEARS THAT THEIR EFFECTIVE TAX RATE IN 1974 WILL PROBABLY RANGE BETWEEN 6 AND 8 PERCENT, DEPENDING ON PRICE VARIATIONS. IN EFFECT, THE GON APPEARS TO HAVE LOWERED THE RATE ON COFFEE RATHER THAN RAISE THE RATES ON COTTON AND MEAT. SUGAR, WHICH IS EXPORTED ALMOST EXCLUSIVELY BY THE PELLAS AND SOMOZA FAMILIES, CONTINUES TO PAY THE 10 PERCENT ON THE FULL FOB MARKET PRICE.

3. COMMENT: THE LOWER EFFECTIVE RATE DOES NOT MEAN THAT EMERGENCY EXPORT TAX COLLECTIONS WILL DECLINE IN ABSOLUTE TERMS IN 1974. IN FACT, EXPECTED SUBSTANTIAL VOLUME INCREASES IN COTTON AND, TO LESSER EXTENT, MEAT EXPORTS SHOULD INCREASE OVERALL EXPORT TAX RECEIPTS OVER THE U.S. \$17 TO 18 MILLION COLLECTED IN 1973. THE GON APPARENTLY DECIDED TO TAKE ADVANTAGE OF AN UNUSUAL SITUATION WHICH PERMITS IT TO SIMULTANEOUSLY INCREASE REVENUES AND GIVE TAX RELIEF TO THE POWERFUL AGRICULTURAL SECTOR DURING AN ELECTION YEAR.
SHELTON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, CUSTOMS DUTIES, COTTON, EXPORTS, MEATS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MANAGU00459
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: MANAGUA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740255/aaaabzqt.tel
Line Count: 84
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A-03 DATED 1/8/74
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 10 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 SEP 2002 by kelleyw0>; APPROVED <10-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXPORT TAX REDUCED ON COFFEE
TAGS: EAID, EFIN, NU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005